Funds to Urban Local Bodies of Uttar Pradesh

†2377. SHRI MUNAVVAR HASAN: Will the Minister of URBAN DEVELOPMENT AND POVERTY ALLEVIATION be pleased to state:

(a) whether Government have taken any steps to strengthen the urban local bodies of Uttar Pradesh;

(b) if so, the details thereof;

(c) the funds released to the urban local bodies of the State during the last three years, year-wise; and

(d) the results achieved therefrom?

THE MINISTER OF STATE IN THE MINISTRY OF URBAN DEVELOPMENT AND POVERTY ALLEVIATION (SHRI PON. RADHAKRISHNAN): (a) to (d) As per entry 5 of the State List of Seventh Schedule of the Constitution, 'local Government' is a State Subject. In view of this, it is for the State Government to take necessary steps to strengthen urban local bodies. The Ministry of Urban Development & Poverty Alleviation have not released any fund to urban local bodies of Uttar Pradesh for the purpose of strengthening urban local bodies.

However, the Government of India have taken a number of steps to strengthen urban local bodies (ULBs) of the country. As the first and foremost measure, the Constitution (74th Amendment) Act, 1992 was enacted and all the States have amended their Municipal Laws to devolve adequate functional and financial powers to municipalities in conformity with the provisions enshrined in the above Act.

States have constituted State Finance Commissions to review the financial position of the municipalities and make recommendations to the State Government with regard to taxation; sharing of taxes between the State Government and Local Government; principles for governing grant-in-aid; and measures for improving the financial position of urban local bodies.

Suitable amendment has also been made to Article 280 of the Constitution to make it mandatory that the Central Finance Commission shall, *inter-alia*, make specific recommendations with regard to measures

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that are needed to augment the resources of a State with a view to supplementing the resources of municipalities in the States on the basic of the recommendations made by the State Finance Commission.

Besides, the Govt. of India have initiated needed urban sector reforms with a view to strengthening ULBs both in terms of capacity building and good financial management. The urban sector reforms include the following components:

- Setting up of Urban Reforms Incentive Fund to provide reform-linked assistance to States.
- Tax-free Municipal Bonds for issue by urban local bodies for portable water supply, sewerage of sanitation, drainage, solid waste management, roads/bridges/flyovers, and urban transport. In addition, the Central Government has announced tax exemption in case of bonds issued by municipal/local governments for raising resources for urban infrastructure.
- Urban Development Plans and Implementation Guidelines issued in 1996. These guidelines emphasize for innovative approaches for fiscal resource mobilization, rationalization of subsidies, commercial orientation of urban development plans.
- Municipal accounting system serves as an effective management tool for financial activities of urban local bodies, promote effective and timely decision making process and facilitate better accountability and transparency. To bring about needed reforms in the municipal accounting system, a Task Force was set up to suggest accounting and budget formats for urban local bodies. The Task Force in its report has recommended for budget and accounting formats for ULBs with appropriate codification and classification of budget and account heads. The report of the Task Force has been circulated to all States for implementation in April, 2003.
- Government with the objective of simplification and rationalization of property tax, which is considered as one of the buoyant sources of revenue for urban local bodies, have issued Guidelines to all State Governments in 1998. Uttar Pradesh is one of the States which is in the process of implementing property tax reforms.